

Rating **Buy 2**
Unchanged
Price target **€5.10/US\$6.04**
Prior: €4.90/US\$5.80
Price **€4.21/US\$4.98**

RIC: IPRN.IN BBG: IPR PL

26 April 2004

Trading data (local/US\$)

| | |
|--------------------------|--------------------------|
| 52-wk. range | €4.39-1.75/US\$5.62-1.93 |
| Market cap. | €0.35bn/US\$0.42bn |
| Shares o/s | 84m (ORD) |
| Free float | 30% |
| Avg. daily volume ('000) | 152 |
| Avg. daily value (€m) | 0.6 |

Balance sheet data 12/04E

| | |
|----------------------|-----------|
| Shareholders' equity | €0.10bn |
| P/BV (UBS) | 2.8x |
| Net cash (debt) | (€0.11bn) |

Forecast returns

| | |
|-----------------------------|--------|
| Forecast price appreciation | +21.1% |
| Forecast dividend yield | 0.0% |
| Forecast stock return | +21.1% |
| Market return assumption | 7.6% |
| Forecast excess return | +13.5% |

EPS (UBS, €)

| | 12/04 | | | 12/03 |
|--------|--------|--------|-------|--------|
| | From | To | Cons. | Actual |
| Q1E | (0.02) | (0.02) | - | (0.07) |
| Q2E | 0.08 | 0.09 | - | 0.04 |
| Q3E | 0.03 | 0.04 | - | (0.03) |
| Q4E | 0.10 | 0.10 | - | 0.05 |
| 12/04E | 0.19 | 0.20 | 0.21 | |
| 12/05E | 0.23 | 0.25 | 0.28 | |

UBS Investment Research
Impresa
Strong 1Q results
■ 1Q EBITDA above consensus

Impresa reported strong 1Q results. Total advertising revenues were up 17.6% y/y to €37.8m, leading 1Q revenues to reach €63.2m (+15% y/y). Group EBITDA reached €8m (vs €1.2m in 1Q03) coming out 5% above the top-end of consensus estimates of €4.9-€7.6m (UBSe €6.4m).

■ TV and newspapers advertising growing 20% y/y

The good results were driven by the TV and newspapers divisions, which reported advertising revenue growth of 20% y/y and 22% y/y respectively. The two divisions consequently saw sharp y/y improvements in EBITDA. The newspapers division in particular delivered a nearly all-time high EBITDA margin of 23% in 1Q04 (10.2% in 1Q03).

■ Increasing 2004FY estimates

Impresa raised its guidance for 2004FY on the back of the strong quarterly results. The company is now guiding for total revenue growth of 8.5% (to €288m) and consolidated EBITDA margin of 21-22%. We are consequently raising our EBITDA estimates for 2004 and subsequent years by around 6% (€62.2m in 2004).

■ Valuation: DCF-based SOP revised upwards

We revise our valuation for Impresa on the back of the upward revision in our estimates. Our DCF-based SOP valuation now reaches an equity value for the company of €5.1/share (was €4.9). At our new price target Impresa would trade at 12.5x 2005E EV/EBITDA for a 28% 2003-05E EBITDA CAGR.

| Highlights (€m) | 12/02 | 12/03 | 12/04E | 12/05E | 12/06E |
|------------------|--------|-------|--------|--------|--------|
| Revenues | 251 | 266 | 289 | 305 | 320 |
| EBIT | (30) | 8 | 28 | 33 | 38 |
| Net income (UBS) | (18) | 0 | 17 | 21 | 24 |
| EPS (UBS, €) | (0.23) | 0.00 | 0.20 | 0.25 | 0.28 |
| Net DPS (UBS, €) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

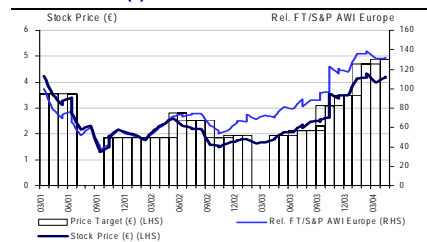
| Profitability & Valuation | 5-yr hist. av. | 12/03 | 12/04E | 12/05E | 12/06E |
|---------------------------|----------------|-------|--------|--------|--------|
| EBIT margin % | 1.2 | 2.9 | 9.6 | 10.7 | 12.0 |
| ROIC (EBIT) % | - | 2.9 | 10.5 | 13.1 | 16.2 |
| EV/EBITDA x | - | 15.7 | 12.7 | 11.4 | 10.0 |
| PE (UBS) x | - | >100 | 20.6 | 16.9 | 15.0 |
| Net dividend yield % | - | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of €4.21 on 23 Apr 2004

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Performance (€)


Source: UBS

www.ubs.com/investmentresearch
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4

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Table 1: Impresa – Divisional revenues split

| € million | 1Q03 | 1Q04 | % y/y |
|-------------------------|------|------|--------|
| <u>Television</u> | | | |
| Advertising | 20.4 | 24.5 | 19.9% |
| Thematic channels | 6.3 | 7.0 | 11.3% |
| Merchandising and other | 2.9 | 3.3 | 13.4% |
| <u>Newspapers</u> | | | |
| Advertising | 6.2 | 7.6 | 21.9% |
| Circulation | 3.9 | 3.9 | 1.2% |
| Other | 0.7 | 1.6 | 138.4% |
| <u>Magazines</u> | | | |
| Advertising | 5.4 | 5.7 | 4.1% |
| Circulation | 8.9 | 9.3 | 4.6% |
| Other | 1.1 | 1.5 | 38.3% |

Source: Impresa

Table 2: Impresa – Quarterly results summary

| € million | Actual | Actual | % y/y | UBSe | % diff |
|----------------------------------|--------|--------|-------|-------|--------|
| | 1Q03 | 1Q04 | | 1Q04 | |
| TV | 29.7 | 34.8 | 17% | | |
| Newspapers | 10.8 | 13.1 | 22% | | |
| Magazines | 15.5 | 16.5 | 7% | | |
| Intercompany sales | -1.1 | -1.3 | 17% | | |
| Net consolidated revenues | 54.8 | 63.2 | 15% | 63.0 | 0% |
| TV | -0.7 | 4.5 | -752% | | |
| Newspapers | 1.1 | 3.0 | 175% | | |
| Magazines | 1.1 | 1.3 | 17% | | |
| Holding adjustments | -0.3 | -0.8 | 132% | | |
| Consolidated EBITDA | 1.2 | 8.0 | 582% | 6.4 | 25% |
| <i>% margin</i> | 2.1% | 12.7% | | 10.2% | |
| Provisions | -1.7 | -0.8 | -51% | -1.7 | -53% |
| Depreciation | -4.8 | -3.5 | -27% | -3.7 | -5% |
| Goodwill | -2.8 | -2.7 | -2% | -2.7 | -2% |
| EBIT (post-goodwill) | -8.0 | 1.0 | n.m. | -1.8 | n.m. |
| <i>% margin</i> | -14.7% | 1.6% | | -2.8% | |
| Net financials (inc. associates) | -2.0 | -2.6 | 34% | -1.5 | 77% |
| Extraordinary | 0.5 | 0.3 | -38% | 0.4 | -22% |
| Pre-tax-profit | -9.5 | -1.3 | -86% | -2.8 | -53% |
| Tax | -0.6 | 0.1 | n.m. | 1.0 | n.m. |
| Minorities | 2.7 | -0.1 | n.m. | 0.0 | n.m. |
| Net profit/(loss) | -7.4 | -1.3 | -82% | -1.9 | -31% |

Source: Impresa, UBS estimates

Valuation statement

Our valuation of Impresa is based on DCF analyses for each of the constituent parts of the company (TV, magazines and newspapers), considering the following set of base assumptions: 8.5% discount rate and 3.5% terminal growth. Given our standardised DCF assumptions, the remaining key variable in the constituents' valuations becomes the estimated free-cashflow potentials that serve as the basis for the terminal value calculations.

On SIC (TV) we estimate a terminal free-cash-flow potential of €34.5 million. Assuming 2004-10E CAGR sales of 4.3%, this implies a terminal FCF margin of 16.7% (implies a 25.5% EBITDA margin target), which compares with a 24.6% margin we currently estimate for 2004.

On the magazines and newspapers divisions we estimate terminal FCF potentials of €11 million and €9 million respectively. These imply EBITDA margin targets of 18% for the magazines divisions and 21.7% for the newspapers division. We believe these to be fairly conservative assumptions as, assuming 2004-10E CAGR sales of 3.2%, they imply FCF margins of 11.6% (for magazines) and 14% (for newspapers). These compare to currently estimated FCF margins of 11% for the magazines division and 13.9% for the newspapers division in 2004.

■ Impresa

Following the departure of Lusomundo, Impresa stands as the only pure media play in the Iberian Peninsula. It has interests in free- to-air TV (SIC), pay-TV (thematic channels), print media publishing (newspapers and magazines) and distribution (VASP), and portals (SIC online). Impresa is the premier diversified media group in Portugal with strong market shares in the most important divisions of the Portuguese advertising market, namely television (52% of the Portuguese advertising 'cake'), and magazines and newspapers (a further 27% share).

■ Statement of Risk

The media sector is mostly affected by consumer spend and the advertising cycle which are inherently difficult to predict. Therefore, future earnings forecasts and underlying valuations of Impresa may be subject to abrupt changes.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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Global ratings: Definitions and allocations

| UBS rating | Definition | UBS rating | Definition | Rating category | Coverage ¹ | IB services ² |
|------------------|---|------------------|--|---------------------|-----------------------|--------------------------|
| Buy 1 | FSR is > 10% above the MRA, higher degree of predictability | Buy 2 | FSR is > 10% above the MRA, lower degree of predictability | Buy | 41% | 36% |
| Neutral 1 | FSR is between -10% and 10% of the MRA, higher degree of predictability | Neutral 2 | FSR is between -10% and 10% of the MRA, lower degree of predictability | Hold/Neutral | 50% | 31% |
| Reduce 1 | FSR is > 10% below the MRA, higher degree of predictability | Reduce 2 | FSR is > 10% below the MRA, lower degree of predictability | Sell | 9% | 31% |

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 March 2004.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

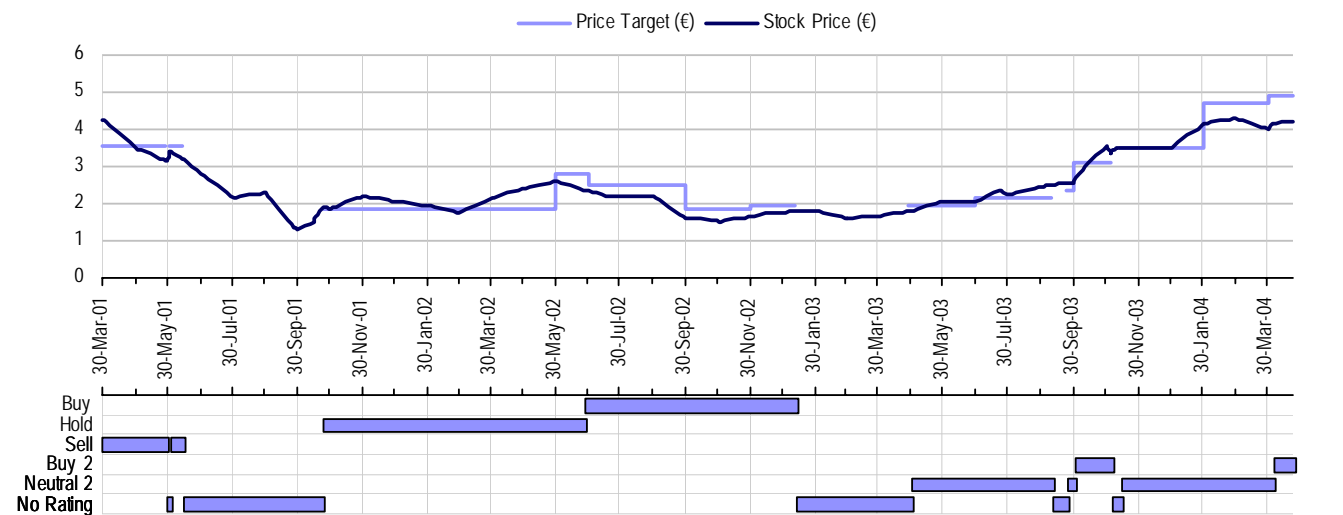
Companies mentioned

| Company Name | Reuters | Rating | Price |
|--------------|---------|--------|-------|
| Impresa | IPRN.IN | Buy 2 | €4.21 |

Price(s) as of 23 April 2004. Source: UBS.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Impresa (€)



Source: UBS; as of 23 April 2004.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'Global ratings: Definitions and allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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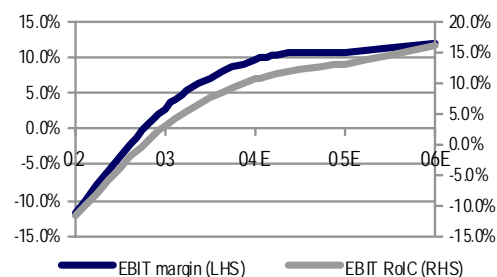


Impresa (euro)

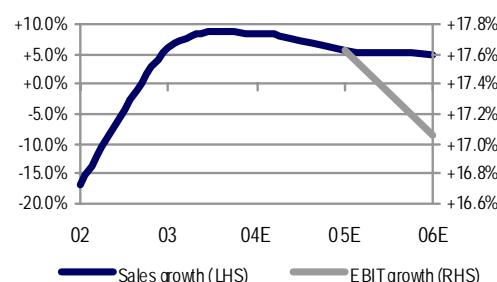
| Per share (€) | 12/02 | 12/03 | 12/04E | 12/05E | 12/06E |
|---|---------|--------|--------|--------|--------|
| EPS | (0.23) | 0.00 | 0.20 | 0.25 | 0.28 |
| CEPS | 0.09 | 0.27 | 0.50 | 0.53 | 0.56 |
| Net DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS | 1.14 | 1.33 | 1.51 | 1.73 | 2.07 |
| Profit & loss (€ m) | | | | | |
| Sales | 251 | 266 | 289 | 305 | 320 |
| EBITDA | 2 | 34 | 53 | 58 | 63 |
| EBIT | (30) | 8 | 28 | 33 | 38 |
| Pre-tax profit | (40) | (2) | 22 | 32 | 39 |
| Net income (UBS adj.) | (18) | 0 | 17 | 21 | 24 |
| Cash flow (€ m) | | | | | |
| EBIT | (30) | 8 | 28 | 33 | 38 |
| Depreciation & amortisation | 31 | 27 | 26 | 25 | 25 |
| Change in NWC | 2 | (38) | 1 | (2) | (2) |
| Other (operating) | 21 | 10 | 6 | 5 | 2 |
| Operational cash flow | 25 | 7 | 61 | 61 | 64 |
| Tax paid | 2 | (5) | (5) | (9) | (11) |
| Capital expenditure | (61) | (31) | (10) | (11) | (12) |
| Net interest | (11) | (10) | (6) | (1) | (1) |
| Dividends paid | 0 | (2) | (3) | (5) | 0 |
| Net (acquisitions) / disposals | (3) | 44 | 10 | 10 | 0 |
| Other items | 5 | 14 | (7) | (9) | (7) |
| Change in net debt | (42) | 16 | 41 | 37 | 33 |
| Operating free cash flow (OpFCF) (€ m) | | | | | |
| Core EBITDA | 16 | 41 | 62 | 67 | 72 |
| Less: Maintenance capex | (11) | (11) | (10) | (11) | (12) |
| Less: Maintenance NWC | (2) | (2) | (1) | (2) | (2) |
| OpFCF | 3 | 28 | 51 | 55 | 59 |
| Balance sheet (€ m) | | | | | |
| Net tangible fixed assets | 180 | 167 | 161 | 158 | 155 |
| Net intangible fixed assets | 83 | 73 | 63 | 52 | 41 |
| Net working capital | (5) | 33 | 32 | 34 | 35 |
| Total invested capital (IC) | 258 | 273 | 256 | 243 | 231 |
| Financial & other fixed assets | 7 | 3 | 3 | 3 | 3 |
| Net cash / (debt) | (165) | (149) | (108) | (71) | (38) |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Minority interests | (13) | (16) | (27) | (40) | (55) |
| Shareholders' funds | 88 | 96 | 100 | 106 | 118 |
| Profitability | | | | | |
| EBITDA margin | 0.7% | 12.9% | 18.5% | 19.0% | 19.8% |
| EBIT margin | (11.8%) | 2.9% | 9.6% | 10.7% | 12.0% |
| EBIT RoIC | NM | 2.9% | 10.5% | 13.1% | 16.2% |
| Net RoE | NM | 0.0% | 17.6% | 20.3% | 21.1% |
| Interest cover (EBIT) | NM | 0.8x | 4.7x | 43.2x | 32.2x |
| Dividend cover (net) | NA | NA | NA | NA | NA |
| Productivity | | | | | |
| Labour % sales | 26.3% | 26.4% | 22.6% | 22.1% | 21.6% |
| Depreciation % sales | 12.5% | 10.0% | 8.9% | 8.3% | 7.9% |
| Capex % sales | 24.3% | 11.5% | 3.3% | 3.4% | 3.7% |
| Invested capital turnover | 1.0x | 1.0x | 1.1x | 1.2x | 1.4x |
| Tax rate | NM | NM | 21.4% | 27.5% | 27.5% |
| Net debt / total equity | 164.2% | 133.9% | 85.2% | 48.8% | 21.9% |
| Momentum | | | | | |
| Sales growth | -16.7% | +6.0% | +8.6% | +5.7% | +5.0% |
| EBIT growth | NM | NM | >+200% | +17.6% | +17.1% |
| Net earnings growth | NM | NM | >+200% | +21.6% | +12.9% |
| Dividend growth | NM | NM | NM | NM | NM |
| Value* | | | | | |
| Market capitalisation (€ m) | 154 | 186 | 354 | 354 | 354 |
| Plus: Core net debt / (cash) | 152 | 157 | 129 | 90 | 55 |
| Plus: Pension provisions | - | - | - | - | - |
| Plus: Buy out of minorities | 317 | 317 | 317 | 317 | 317 |
| Less: Non-core assets | (20) | (20) | (10) | - | - |
| Enterprise value (EV, avg) | 603 | 640 | 789 | 760 | 725 |
| EV/Sales (core) | 3.19x | 2.41x | 2.73x | 2.49x | 2.26x |
| EV/EBITDA (core) | 38.6x | 15.7x | 12.7x | 11.4x | 10.0x |
| EV/EBIT (core) | NM | 83.4x | 28.4x | 23.2x | 18.9x |
| EV/OpFCF | >100x | 22.6x | 15.4x | 13.9x | 12.4x |
| EV/Invested capital | 2.4x | 2.4x | 3.0x | 3.1x | 3.1x |
| P/CE | 22.5x | 8.6x | 8.4x | 8.0x | 7.6x |
| P/E | NM | >100x | 20.6x | 16.9x | 15.0x |
| Dividend yield (net) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| P/BV (average) | 1.8x | 1.8x | 2.8x | 2.4x | 2.0x |

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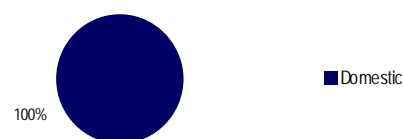
Profitability (EBIT margins & RoIC)



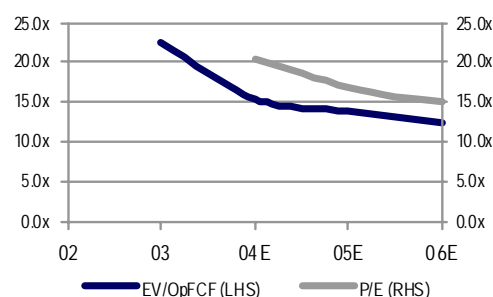
Momentum (Sales & EBIT growth)



Geographic exposure (Sales)



Value (EV/OpFCF & P/E)



Source: UBS estimates, * Historical valuations are based on an average for the year share price. Current & future valuations are based on a share price of €4.21 on 23/04/2004